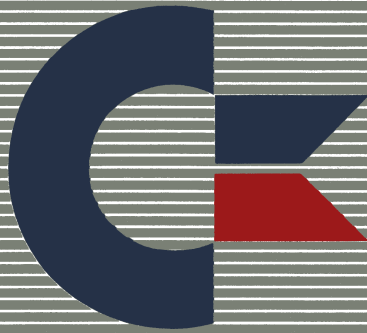


Commodore  
International Limited

1977 Annual Report



**Commodore International Limited** is an expanding vertically-integrated manufacturer of electronic consumer products and metal office furniture. With plants for semiconductor production in Pennsylvania, liquid crystal display (LCD) and light-emitting diode (LED) production in California, metal product fabrication in Canada and various assembly operations in Europe and the Far East, Commodore is dedicated to producing high-quality, state-of-the-art consumer products and semiconductor components in a competitive market.

In our Annual Report 1976, nine new products were listed under the headline: "A Partial Line-Up of New Products Planned for Introduction this Year."

Let's see what happened.

**A Programmable Calculator** We introduced the PR 100 at "considerably under \$100.00." \$59.95 to be exact.

**Three Dedicated Preprogrammed Calculators** The Navigator, the Statistician, the Mathematician were all brought on stream last year.

**The Slimmest Rechargeable Calculator** We did bring in the X24 on time and at the price of \$20.00 we had predicted.

**The Time Machine** We didn't get around to this calculator.

**Financial Calculators** "Priced from \$19.95." We did introduce these two models.

**Liquid Crystal Display Calculator** Yes, and at 5000 hours on one set of batteries...4000 hours better than the "1000 hours" we predicted.

**LED Watch Line** "From \$19.95 to \$39.95." We even led the industry with a \$9.95 watch.

**LCD Watch Line** Yes, but the supply and demand factor precluded our bringing our lowest priced unit in as low as the \$19.95 we had predicted.

**Kim I** The microprocessor board sales have surpassed our expectations.

Seven out of eight. A batting average of .875 is pretty good indeed. But you'll notice we didn't even include the PET. We really thought we couldn't bring it in on time to include in a new product list.

To the Shareholders:

It was a good year for your company. Our two most important objectives were achieved: We were profitable and we completed our vertical integration.

For the year ended June 30, 1977, Commodore's sales were \$46,175,000, net income was \$1,524,000 and earnings per share were \$1.13. This compared to year-earlier sales of \$55,935,000, net income, before an extraordinary credit of \$1,189,000, of \$1,722,000, and earnings per share, before an extraordinary credit, of \$1.34.

The moderate downturn in Commodore's sales and earnings in fiscal 1977 was primarily a reflection of the decrease in calculator sales. But management was able to begin a diversification program that already has achieved a more favorable balance of sale of the company's consumer electronic products.

As a result, calculator sales comprised just over half our gross sales. Watches already accounted for a significant share, as did our MOS Technology division. Our Canadian steel division also increased sales significantly.

We made two important acquisitions in the past fiscal year. We acquired MOS Technology, an important supplier of semiconductor components, including random access memories (RAM), read only memories (ROM), microprocessors, game and calculator integrated circuits.

MOS has been our source for the integrated circuits (chips) we use in our calculators, in the KIM microprocessor boards and in the PET home computer. This acquisition, therefore, enabled us to come a long way in our vertical integration plans.

We also acquired Nortex in the past fiscal year. Nortex, a Canadian manufacturer of consumer steel products, complemented our Commodore division in Canada, and is now producing the steel cabinets for our PET home computers.

We also recently reached an agreement in principle to acquire Frontier Manufacturing Corporation. We have already reached agreements with both creditors and shareholders of Frontier and should complete this acquisition before the end of calendar 1977. As a processor of chips and modules, Frontier will offer your Company a new facility for producing our own C-MOS chips. These C-MOS chips are needed in the production of liquid crystal calculators and watches. This capability, together with Frontier's ability to produce P chan-

nel chips, will complement MOS Technology's efficient production of N channel devices.

The fiscal year just ended also marked the beginning of the Commodore Systems division and of our own liquid crystal display (LCD) facility. The Systems division, which includes the PET home computer and the KIM microprocessor, is expected to play an important role in Commodore's future.

This LCD facility is today capable of producing significant quantities of displays to be used in the much-desired LCD watches and LCD super slim calculators.

Our vertical integration has given us the cost effectiveness that allows us to be very competitive and profitable while offering our customers superior quality and value.

While these acquisitions and new production facilities have reinforced our vertical integration objective, they also have led to significant diversification. Just a year ago, your company's business consisted of approximately 90% electronic calculators. In the fiscal year ended June 30, 1977, only a little over half our volume comprised electronic calculators. As we enter the new year, we expect to see the calculator's contribution to your Company's volume reduced still further.

Today your Company is a producer of calculators, electronic watches, systems, components and fabricated steel products. We are no longer dependent upon one category of product.

We have invested heavily in our future as a diversified, integrated producer of electronics and of consumer products. These investments in our future have been expensed against this year's operations. Yet we were profitable. While our sales for the full year were modestly below the previous year, both our sales and our profits in the fourth quarter were significantly ahead of the previous year's performance.

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There has been a great deal of interest in Commodore International in recent months. We now have many more, and many new, shareholders. We welcome you.

While I don't want to go into the history of Commodore in this report, I will say that we are graduate survivors; we have survived and made money where other, often better-financed, companies have fallen by the wayside. Today we are a profitable and growing company.



Jack Tramiel  
President

October 15, 1977

## Calculators

In 1971, Commodore was the first to introduce a mass marketed, mass produced electronic calculator. This compact eight digit, four function desk top unit sold at the then unheard-of retail price of only \$199.95...hundreds and, often, thousands of dollars less than any equivalent unit. And it was sold in department stores, discount chains, etc. In the same year, Commodore was the first to introduce a portable, hand-held calculator.

In early 1974, a decision was reached to de-emphasize our position as one of the leading producers of calculators in the United States and to concentrate on the European market. Today we are far and away the largest producer of calculators in Western Europe.

Because 95% of Commodore's sales volume was in calculators and because Commodore was (and is) a world leader in the production of calculators, our own growth from 1971 up to 1975 reflected the phenomenal growth of the electronic calculator industry. Our lower sales and profitability in 1975 and 1976 were the result of the calculator market's extreme competitiveness and flattened growth.

Commodore is now one of a very small handful of vertically integrated producers of calculators. Seven years ago we existed as a marketer and, later, as both an assembler and marketer of calculators. Today we also produce the heart of the equipment: the integrated circuit chip and the display. And we're one of the few whose calculator business is profitable.

This year we expect the worldwide calculator market to have stabilized at about fifty million units. It should be an excellent year for calculator manufacturers and for retailers. Calculators may actually be in short supply. The price wars that marked the business for these last several years are easing up.

We expect to have a fair share of the market and we will concentrate on profits. We will emphasize the new super slim, liquid crystal display calculators in executive, financial and scientific configurations, using our own chips and LCD technology. We will

continue to make available our very successful series of pre-programmed units—dedicated to the navigator, to the statistician and to the mathematician—and at least one key-programmable calculator.

## Liquid Crystal Displays

Our liquid crystal display (LCD) production started as a pilot operation in our Palo Alto facility less than a year ago. Today we can build 150,000 displays a month. We are able to achieve yields even better than those originally planned. We have developed a calculator display process together with production and multiplexable display capabilities which, while designed for calculators, will also simplify producing the more complex watch displays.

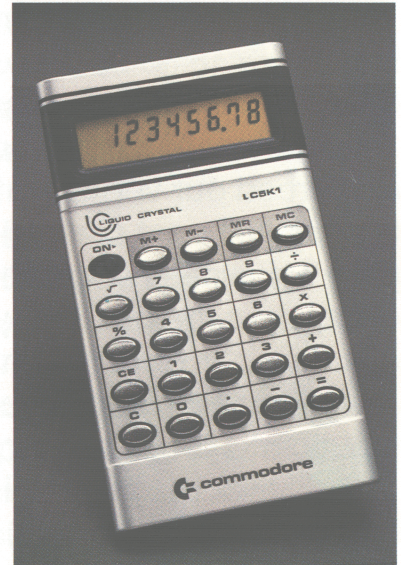
We have designed and produced one of the largest liquid crystal digital watch displays in the industry...a full quarter inch high. On the other hand, for ladies watches, we have designed and produced displays that are as small—but extremely readable—as any produced in the industry. We have planned and already have proven our capability of producing our own indium/tin oxide coating in-house. This will not only improve our displays but also reduce costs by a significant amount. We should benefit from this cost reduction in this fiscal year.

On the other hand, demand for light-emitting diodes (LED) produced by our ODI division has weakened. To reduce overhead and effect other significant cost savings, we have moved the entire facility into our Palo Alto plant and incorporated it into our display operation.

## Electronic Watches

Commodore entered the electronic watch business late; deliberately allowing other producers to suffer the shakedown problems inherent in the introduction of electronic consumer products. Our line of LED watches, using the LED displays of our ODI division, was immediately and successfully received in Europe and, later, in the United States and Canada. We were hampered by an early inability to produce the quantities required.

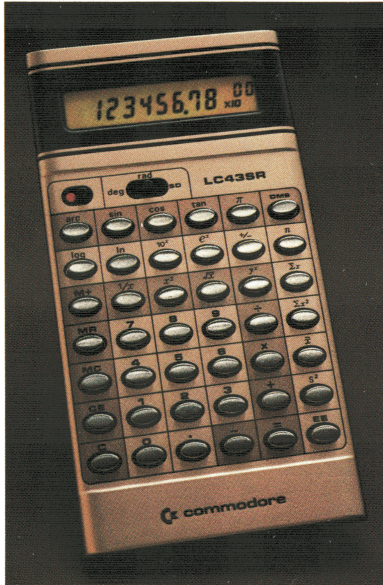
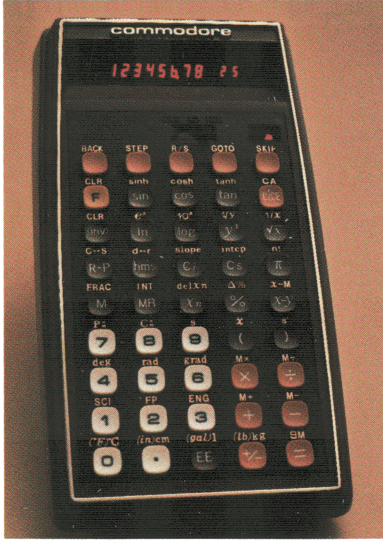
But during the same fiscal year just ended, we made a major investment in the production of liquid crystal displays. We also negotiated to purchase Frontier Manufacturing Corporation in Orange County, California. Frontier is a leading producer of C-MOS chips, a



The "mask," shown right, is used in the production of liquid crystal displays (LCD), which are manufactured in the Palo Alto facility for use in Commodore's new line of LCD calculators and watches. Because of the unusually long battery life and improved visibility of liquid crystal displays, the market for LCD products is on the rise.







Semiconductor wafers containing hundreds of integrated circuits (chips) are tested with tiny probes. They are then scribed and broken into individual chips and mounted on lead frames which are incorporated in the calculator or microprocessor board. Commodore has effected cost reductions and technological advancements in its consumer products with the addition of component production.

particular type of MOS/LSI chip necessary for LCD products.

We gauged the market correctly; in spite of the higher retail prices, liquid crystal watches are proving more desirable to the consumer. Our timing was excellent.

While the volume of watch sales in the fiscal year ending June 30, 1977 did not contribute significantly to your company's sales or earnings, it will have great impact in the new fiscal year.

At least half a dozen important suppliers of electronic watches have already departed. This has resulted already in some noticeable firming up of prices.

### MOS Technology

MOS Technology's primary strength is in supplying electronic devices to consumer electronics manufacturers. Our Video Game Array (VGA) is being delivered in high volume to a number of large manufacturers. We have completed a custom-designed VGA which we are currently shipping in quantity to a leading toy manufacturer.

We have further penetrated the games market with our 6500 series microprocessors which are already being used in a class of video game far more sophisticated than the usual "ball and paddle" type. The industry consensus is that the greatest growth and profit will come from these programmable games.

The 6500 family will be expanded during the new year, first with a Video Interface Chip (VIC) which will also be directed toward the games marketplace. The device works in conjunction with our 6502 microprocessor and allows graphics capability that equals or exceeds those found in arcade type games.

The same 6500 family is finding its way into more and more applications, such as in copy machines, instrumentation, computer peripherals and small systems.

Our memory products billings will grow as we penetrate the high-level game and small computer marketplace. Under development this year is the 6600, a single chip microcomputer which will give the small-system producer an attractive, economical solution to small system controllers...and we expect continued success with single chip VGAs and calculator chips.

MOS Technology will be providing up to 30 microprocessors and memories for each PET this year. Later we expect to provide custom circuits to enhance the PET's competitive edge from the standpoint of both cost and capability.

To capture the increase in business we foresee for fiscal 1978, we will be increasing our production capacity dramatically by establishing a 4" wafer fabrication operation and by initiating an automated assembly operation.

### Systems

After the acquisition of MOS Technology in November of 1976, Commodore began a new division dedicated to the application of semi-conductor devices produced by MOS in the development of systems.

The first new product developed was the completely self-contained, stand-alone computer at an unheard of price: \$595.00. We positioned this product into the burgeoning computer market as a personal/home application computer: the PET. The KIM 1 microprocessor board, already developed by MOS Technology, was an early and highly successful entry in the hobbyist computer market.

There has been universal enthusiasm from the knowledgeable computer hobbyist magazines heralding the PET as a breakthrough.

The response from the more general publications has been quite rewarding, too. The PET has already been featured in magazines such as Business Week, Popular Science, Playboy, and any number of newspapers, and even on television and radio. As this is written, with the enormous amount of free publicity—we have yet to spend our first advertising dollar—we already have a very large backlog of paid-in-full orders.

Several Commodore divisions have shared their expertise to create and market this product. The cases are currently being manufactured in our Scarborough, Ontario plant. MOS Technology produces 30 semiconductors, of which three are new and in use for

the first time, for the PET. Commodore brings to the product its mass production and mass marketing techniques.

The PET is currently being assembled in existing company facilities in Santa Clara. Additional production is planned for several off-shore locations.

In November, the Systems Division had one employee. Today we have a nucleus of 45 technicians, engineers and production leaders. Several of our Japanese associates are already becoming involved in product planning. Our manpower needs will be increasing dramatically as the Systems Division production goals for the PET—and for future projects—increase.

We plan on 10,000 units a month of PET production...and a very large production forecast for peripherals. These peripherals, including floppy discs and printers, already promise to be a very significant market. We also will be developing what will essentially be a publishing company to develop, produce and distribute a large selection of programs.

### Kim

In early 1976, MOS Technology introduced the KIM product line so that design engineers might familiarize themselves with the capabilities of the MOS 6502 microprocessor and its related components.

We had planned on selling about 1,000 units for this purpose. To date, over 10,000 units have already been sold, not only to engineers but also for educational applications and to computer hobbyists.

The Kim is essentially a completely assembled, tested and documented microcomputer board. Together with memory modules and motherboard, designated as KIM 3 and 4, we now offer a complete KIM system.

During the past year our product line has been expanded to include these additional memory modules and a driver card to allow the system to be expanded. A wide variety of components and programs to support KIM are now available from other sources. We plan to enter into the production and

marketing of several of these new components.

We have expanded our production facilities and now project KIM sales in this fiscal year to increase several fold over the previous year. Our sales have increased even more dramatically than our production and we remain in a satisfactory back-order position.

### Commodore Office Furniture

In this fiscal year, the acquisition of Nortex (and its Gildon subsidiary) was put under the management of the Canadian operation.

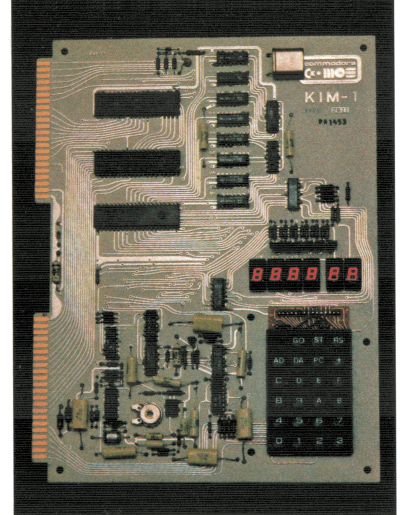
The Canadian facility had been primarily responsible for the production and marketing of Commodore office furniture which moved into the No. 1 position in Canada in sales of budget office desks and filing cabinets in the fiscal year just ended.

This position will be further reinforced in the new fiscal year. Wooden desks were introduced into our line for fiscal 1977 and have been so well received that we can project the line will add quite considerably to our sales and profit in 1978. A new cut-to-length production line for blanking of steel was added to our manufacturing capability to give us complete control over our steel blanking supplies.

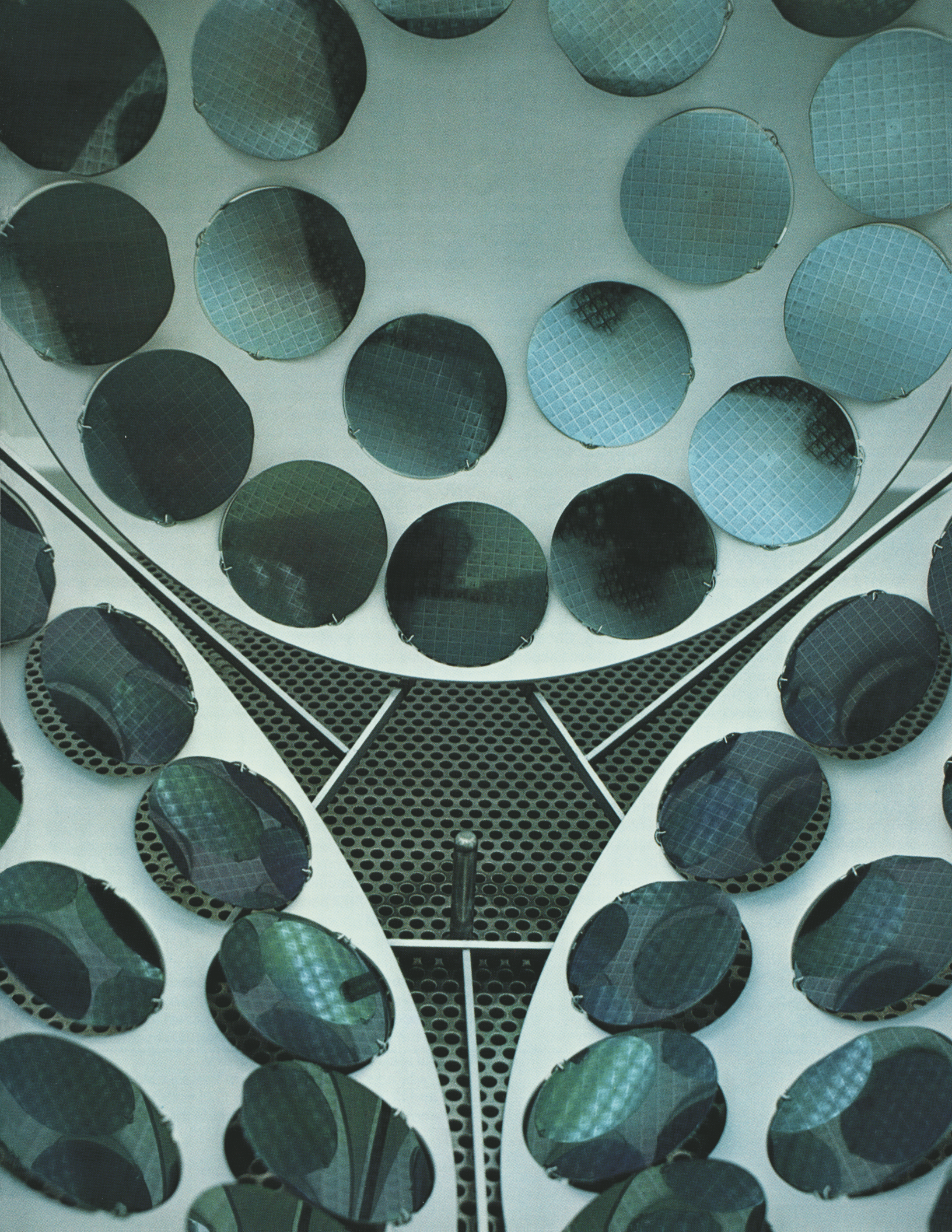
The integrated production objective of your Company was manifest even in our steel fabricating facility: we are producing the complete housing for each PET computer.

Nortex is a producer of metal-fabricated consumer products, including chairs and stools, portable bars, tables, barbecues and, now, even PET cabinets. Gildon is a metal-spinning fabrication operation with the ability to manufacture intricate metal forms, including conical steel. Gildon supplies many manufacturers, including Nortex. Its largest sphere of business has been the supplying of the finished steel cones for a large producer of free-standing circular fireplaces.

After acquiring these two operations, your company devoted hard work and its marketing expertise to getting Nortex's products into the major catalog houses. We were successful and we can now project expanded sales in Canada in the new fiscal year. And Gildon should benefit dramatically from the fact that the fireplace producer will be entering the United States market for the first time.



In an evaporation chamber, semiconductor wafers are coated with a very thin layer of aluminum. The aluminum is then etched, leaving only what is needed to connect the minute circuitry. This layer is one of many layers in the process of manufacturing integrated circuits (chips). The semiconductor component manufacturing facility at MOS Technology produces random access memories (RAM), read only memories (ROM), microprocessors, and game and calculator chips for use in Commodore's PET home computer, KIM microprocessor board, and calculators, as well as for sale to other manufacturers of electronic consumer products.



# Management Discussion and Analysis of the Summary of Earnings

for the Years Ended June 30, 1975, 1976, and 1977

## Sales

The overall sales volume decreased in 1977 as compared to 1976 and 1975 because the market for electronic calculators became relatively saturated during 1977. For the four years prior to 1977 electronic calculators had comprised approximately 90% of the company's sales. The company reduced the effect of the saturation of the electronic calculator market by diversifying into other product lines. During 1977, the company sold electronic watches, semiconductor components and small microprocessor systems in addition to electronic calculators and steel furniture.

Calculator sales declined to 53% of total sales in 1977 from 89% of total sales in 1976 and 1975. As discussed above, the reason for this abrupt decline was the saturation of the market for electronic calculators. This phenomenon came as no surprise to the management of the company, who had anticipated this change and planned accordingly to diversify.

One of the product lines into which the company diversified during 1977 was electronic watches. In 1977, electronic watches accounted for 18% of total sales, whereas in previous years they had not been a factor.

In 1977, the company pursued a policy of vertical integration, which was fulfilled through the acquisition of MOS Technology, Inc. (MOS Tech) and the establishment of the company's liquid crystal manufacturing facility. Because of these additional facilities, the company was granted access to the semiconductor component market; and because of the acquisition of MOS Tech, the company acquired a new product—KIM, a microprocessor on a printed circuit board, which is the forerunner to the 'PET' computer. In 1977, sales of components and microprocessor systems amounted to 17% of total sales; in prior years, such sales had not been a factor.

Steel office furniture, sold only in Canada, accounted for approximately 12 percent of total sales in 1977, 9 percent in 1976, and 7 percent in 1975. This percentage increase is due partly to the acquisition of Nortex Products and Gildon Metal Enterprises Limited and partly to the decline in overall sales.

Educational products, sold only in Japan, ceased to be a factor in 1977 and only accounted for 2 percent of total sales in 1976 and 4 percent in 1975.

## Cost of Sales/Gross Profit

There have been many technological advances related to electronic calculators during the last three years, with the reduction of selling prices generally occurring in conjunction with cost reductions. During 1975, the pace of price reductions was extremely rapid; consequently, it was very difficult for the company to avoid losses caused by write-downs of its inventories. The company was forced by competition to reduce its selling prices and because it had little control over its purchase costs, it had to accept lower margins. This situation began to change during fiscal 1975 for two main reasons. First, the technology matured to the extent that cost reductions became less and, second, the company began to design and assemble the key components itself with the result that it could begin to control its costs of production. The company reaped the benefits of these factors during fiscal 1976 and 1977. Because of certain advanced circuits that it designed itself, the company was able to produce a line of scientific and financial calculators, which proved to be very profitable during 1976 and 1977.

During 1977, with the acquisition of MOS Tech, the company was able to manufacture its own integrated circuits which gave it an advantage over most of its competitors. This advantage has enabled the company to weather the storms in the calculator market caused by the saturation and should enable the company to capitalize on the fact that there are now very few companies left in this industry.

As far as electronic watches have been concerned, the company has again benefited from its vertical integration. The fact that the company has manufactured a significant proportion of its own components has enabled the company to be profitable in this very competitive industry.

As mentioned above, the company's components and systems divisions contributed greatly to maintaining the company's overall gross margins, via the cost reductions for the components which went into the company's electronic calculators and electronic watches.

Gross profit margins on steel furniture were reduced in fiscal 1976 and 1977 because of increases in raw steel prices and because of unfavorable economic conditions in Canada.

## Selling Expenses

Selling expenses were reduced in 1977 as a result of the lower level of sales. They had previously been reduced in 1976 from the 1975 level, as a result of the company's concentration on the European marketplace, which enabled the company to reduce the size of its operations in the USA.

## General and Administrative Expenses

There was no significant change in these expenses between 1977 and 1976. The reduction from 1975 to 1976 was achieved by the company's lower level of activity in the USA during fiscal 1976.

### Research and Development

There was no material change in these expenses between 1976 and 1975. In 1977, these expenses were increased as a result of the acquisition of MOS Tech, part of whose business is the continual development of new semiconductor products. It should be noted that these expenses for 1977 are net of income derived from the sales of cross-licensing agreements for the company's highly successful microprocessor.

Also a factor behind the 1977 increase, was the development expense incurred for the 'PET' computer.

### Interest Expense

The increase in interest expense in 1977 over 1976 is attributable to the fact that the company became increasingly involved in its own manufacture of key components and required correspondingly more working capital to finance this.

In fiscal 1976, the company's liquidity position had improved considerably and the company was able to pay off much more of its short-term indebtedness. As a result of this and as a result of lower interest rates, the company was able to reduce interest expense in 1976 from 1975.

### Provision for Income Taxes

Income taxes were provided at an effective rate of 32% in 1977 and 51% in 1976—see Note 4 of Notes to Consolidated Financial Statements for an explanation of the difference in rates. In 1975, the company received an income tax credit as a result of the tax benefit resulting from the carryback of losses incurred during 1975.

### Commodore Educational Systems Limited (CESL)

This company, which was formed to sell educational products, has not been successful and it has lost consistently since its inception. Both selling methods and management were reorganized in 1975 and again in 1976. The company ceased trading in 1977 and it is thought unlikely that CESL will resume its operations during the coming year.

### Consolidated Fourth Quarter Results of Operations

Sales during the fourth quarter of 1977 were \$12,311,000 (1976—\$8,627,000). The profits after taxes for the fourth quarter of 1977 were \$159,000 (1976—a loss of \$299,000). There were no significant variations during the fourth quarter of 1977, as compared to the first three quarters of fiscal 1977.

## Lines of Business

The approximate percentages of total sales and income (loss) before income taxes and extraordinary items attributable to each line of business of the Company is shown below:

	1977	1976	Year Ended June 30 1975	1974	1973
<b>Electronic Calculators</b>					
Percentage of total sales	53%	89%	89%	88%	93%
Percentage of income (loss)	14%	135%	(88%)	105%	121%
<b>Electronic Watches</b>					
Percentage of total sales	18%	—	—	—	—
Percentage of income	26%	—	—	—	—
<b>Components and Systems</b>					
Percentage of total sales	17%	—	—	—	—
Percentage of income	63%	—	—	—	—
<b>Office Furniture</b>					
Percentage of total sales	12%	9%	7%	6%	6%
Percentage of income	5%	3%	1%	6%	3%
<b>Teaching Machines</b>					
Percentage of total sales	—	2%	4%	6%	1%
Percentage of income (loss)	(8%)	(38%)	(13%)	(11%)	(24%)

Commodore International Limited and Subsidiaries  
**Consolidated Summary of Operations**  
(Not covered by Auditors' Report)

	1977	1976	Year Ended June 30 1975	1974	1973
Net sales	\$46,175,000	\$55,934,000	\$55,877,000	\$49,851,000	\$32,849,000
Gross profit	11,074,000	11,764,000	5,006,000	8,819,000	6,895,000
Operating Expenses:					
Selling	2,969,000	3,491,000	4,072,000	3,310,000	1,420,000
General and administrative	3,396,000	3,367,000	3,941,000	2,908,000	1,459,000
Research and development	1,374,000	812,000	838,000	677,000	1,651,000
Interest expense—net	1,093,000	698,000	1,218,000	970,000	251,000
	8,832,000	8,368,000	10,069,000	7,865,000	4,781,000
Income (loss) from operations	2,242,000	3,396,000	(5,063,000)	954,000	2,114,000
Provision (credit) for income taxes	718,000	1,724,000	(793,000)	746,000	981,000
Income (loss) before minority interest and extraordinary item	1,524,000	1,672,000	(4,270,000)	208,000	1,133,000
Minority interest in loss of CESL	—	50,000	413,000	52,000	47,000
Income (loss) before extraordinary item	1,524,000	1,722,000	(3,857,000)	260,000	1,180,000
Extraordinary item	—	1,189,000	89,000	—	192,000
Net income (loss)	\$ 1,524,000	\$ -2,911,000	\$ (3,768,000)	\$ 260,000	\$ 1,372,000
Earnings (loss) per share					
Income (loss) before extraordinary item	\$1.13	\$1.34	\$(3.04)	\$.18	\$ .78
Net income (loss)	1.13	2.26	(2.96)	.18	.91

## Consolidated Statements of Operations

	Year Ended June 30	
	1977	1976
<b>Net Sales</b> (Note 13)	\$46,175,000	\$55,934,000
<b>Cost of Sales</b>	35,101,000	44,170,000
Gross profit	11,074,000	11,764,000
<b>Expenses:</b>		
Selling	2,969,000	3,491,000
General and administrative	3,396,000	3,317,000
Research and development	1,374,000	812,000
Interest, net	1,093,000	698,000
	8,832,000	8,318,000
Income before income taxes and extraordinary item	2,242,000	3,446,000
<b>Provision (Credit) For Income Taxes</b> (Note 4)		
Current—		
Federal	318,000	1,007,000
State	114,000	116,000
Foreign	(45,000)	29,000
Deferred foreign income taxes	331,000	572,000
	718,000	1,724,000
Income before extraordinary item	1,524,000	1,722,000
<b>Extraordinary Item</b> —Reduction of income taxes from carryforward of prior years' losses	—	1,189,000
Net income	\$ 1,524,000	\$ 2,911,000
<b>Earnings Per Share</b> (Note 10)		
Income before extraordinary item	\$1.13	\$1.34
Extraordinary item	—	.92
Net income	\$1.13	\$2.26

The accompanying notes to consolidated financial statements are an integral part of these statements.

## Consolidated Balance Sheets

Assets	June 30	
	1977	1976
<b>Current Assets:</b>		
Cash, including short-term deposits of \$350,000 in 1977 and \$734,000 in 1976	\$ 706,000	\$ 1,159,000
Deposits pledged as compensating balances for letters of credit	117,000	423,000
Trade receivables, net of allowance for doubtful accounts of \$743,000 in 1977 and \$703,000 in 1976 (Note 6)	8,075,000	4,042,000
Advances to suppliers	218,000	393,000
Inventories (Note 6)		
Finished goods	5,403,000	6,204,000
Raw materials and work in process	10,130,000	7,582,000
Total inventory	15,533,000	13,786,000
Prepaid expenses	391,000	141,000
Total current assets	25,040,000	19,944,000
<b>Property and Equipment, at cost (Notes 3 &amp; 7)</b>	7,869,000	3,977,000
Less—Accumulated depreciation and amortization	2,144,000	1,623,000
	5,725,000	2,354,000
<b>Other Assets:</b>		
Lease deposits and other assets	210,000	352,000
Goodwill, net of accumulated amortization (Note 3)	133,000	184,000
	343,000	536,000
	\$31,108,000	\$22,834,000

The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

Liabilities and Shareholders' Equity	June 30	
	1977	1976
<b>Current Liabilities:</b>		
Bank overdrafts	\$ 540,000	\$ 320,000
Advances from finance companies, secured by certain receivables and inventories (Note 6)	2,536,000	698,000
Notes payable (Note 5)	3,259,000	2,533,000
Drafts payable	4,064,000	4,654,000
Accounts payable	5,910,000	5,556,000
Accrued liabilities	1,613,000	1,010,000
Income taxes payable (Note 4)	223,000	294,000
Deferred foreign income taxes (Note 4)	979,000	659,000
Total current liabilities	19,124,000	15,724,000
<b>Long-Term Debt</b> (Note 7)	3,809,000	745,000
<b>Minority Interest in a Subsidiary</b>	—	19,000
<b>Commitments and Contingent Liabilities</b> (Notes 9 & 11)	—	—
<b>Shareholders' Equity</b> (Note 2):		
Common stock		
Authorized—5,000,000 shares, par value \$1 each		
Issued and outstanding—1,354,247 shares in 1977 and 1,283,118 shares in 1976	1,354,000	1,283,000
Contributed surplus	1,800,000	1,566,000
Retained earnings	5,021,000	3,497,000
	8,175,000	6,346,000
	\$31,108,000	\$22,834,000

## Consolidated Statements of Shareholders' Equity

	Shares	Amount	Retained Earnings	Contributed Surplus	Total
<b>Balance, June 30, 1975, as restated</b> (Note 2)	1,270,000	\$1,270,000	\$ 586,000	\$1,627,000	\$3,483,000
Net income for the year	—	—	2,911,000	—	2,911,000
Sale of common stock upon exercise of options (Note 8)	13,000	13,000	—	29,000	42,000
Purchase of warrants (Note 8)	—	—	—	(90,000)	(90,000)
<b>Balance, June 30, 1976, as restated</b> (Note 2)	1,283,000	1,283,000	3,497,000	1,566,000	6,346,000
Net income for the year			1,524,000		1,524,000
Sale of common stock upon exercise of options (Note 8)	7,000	7,000		8,000	15,000
Issue of common stock for acquisition of MOS Technology (Note 3)	64,000	64,000		226,000	290,000
<b>Balance, June 30, 1977</b>	1,354,000	\$1,354,000	\$5,021,000	\$1,800,000	\$8,175,000

The accompanying notes to consolidated financial statements are an integral part of these statements.

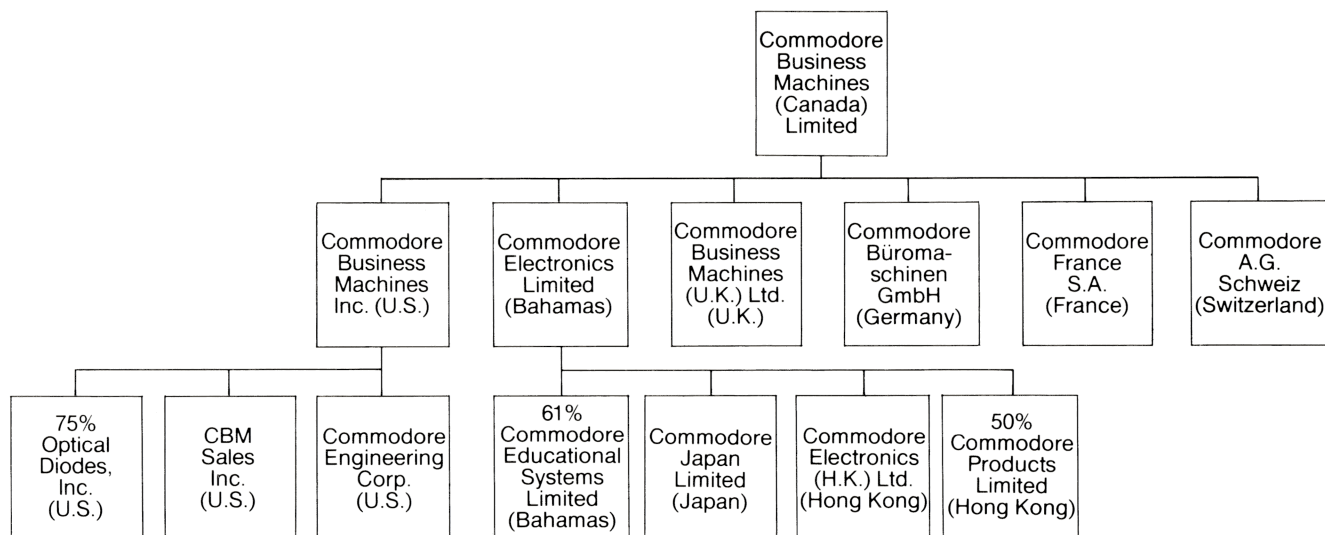
Commodore International Limited and Subsidiaries (Note 2)  
Consolidated Statements of Changes in Financial Position

	Year Ended June 30	
	1977	1976
<b>Working Capital Was Provided by (Used For):</b>		
Operations, exclusive of extraordinary item	\$1,524,000	\$1,722,000
Items not requiring outlay of working capital—		
Depreciation and amortization	774,000	757,000
Write-down of investments	—	17,000
Minority interest in subsidiary's loss	(19,000)	(50,000)
Total working capital provided by operations	2,279,000	2,446,000
Extraordinary item	—	1,189,000
	2,279,000	3,635,000
Issuance of common stock	15,000	42,000
Incurrence of long-term debt	713,000	13,000
Realization of lease deposits and other assets	184,000	—
Decrease in note receivable from Optical Diodes, Inc.	—	375,000
	3,191,000	4,065,000
<b>Working Capital Was Applied To:</b>		
Purchase of warrants	—	90,000
Purchase of equipment, building and improvements	1,435,000	1,143,000
Acquisition of purchased businesses—		
Equipment, building and improvements	2,659,000	—
Long-term debt	(2,681,000)	—
Issuance of common stock for acquisition	(290,000)	—
Other, net	42,000	—
Repayment of long term debt	330,000	—
Purchase of other assets	—	106,000
Acquisition of goodwill	—	201,000
	1,495,000	1,540,000
Increase in working capital	\$1,696,000	\$2,525,000
<b>Changes in Components of Working Capital:</b>		
Increase (decrease) in current assets—		
Cash	\$ (426,000)	\$ 128,000
Deposits pledged	(306,000)	157,000
Receivables and advances to suppliers	2,004,000	(1,381,000)
Income taxes recoverable	—	(218,000)
Inventories	(1,659,000)	(1,971,000)
Prepaid expenses	97,000	(4,000)
Working capital, net, from acquisitions	270,000	—
(Increase) decrease in current liabilities—		
Advances from finance companies	(1,446,000)	1,250,000
Notes payable, bank overdrafts and ODI obligation	(527,000)	660,000
Accounts and drafts payable and accrued liabilities	3,938,000	4,505,000
Income taxes payable	71,000	(83,000)
Deferred foreign income taxes payable	(320,000)	(518,000)
Increase in working capital	\$1,696,000	\$2,525,000

The accompanying notes to consolidated financial statements are an integral part of these statements.

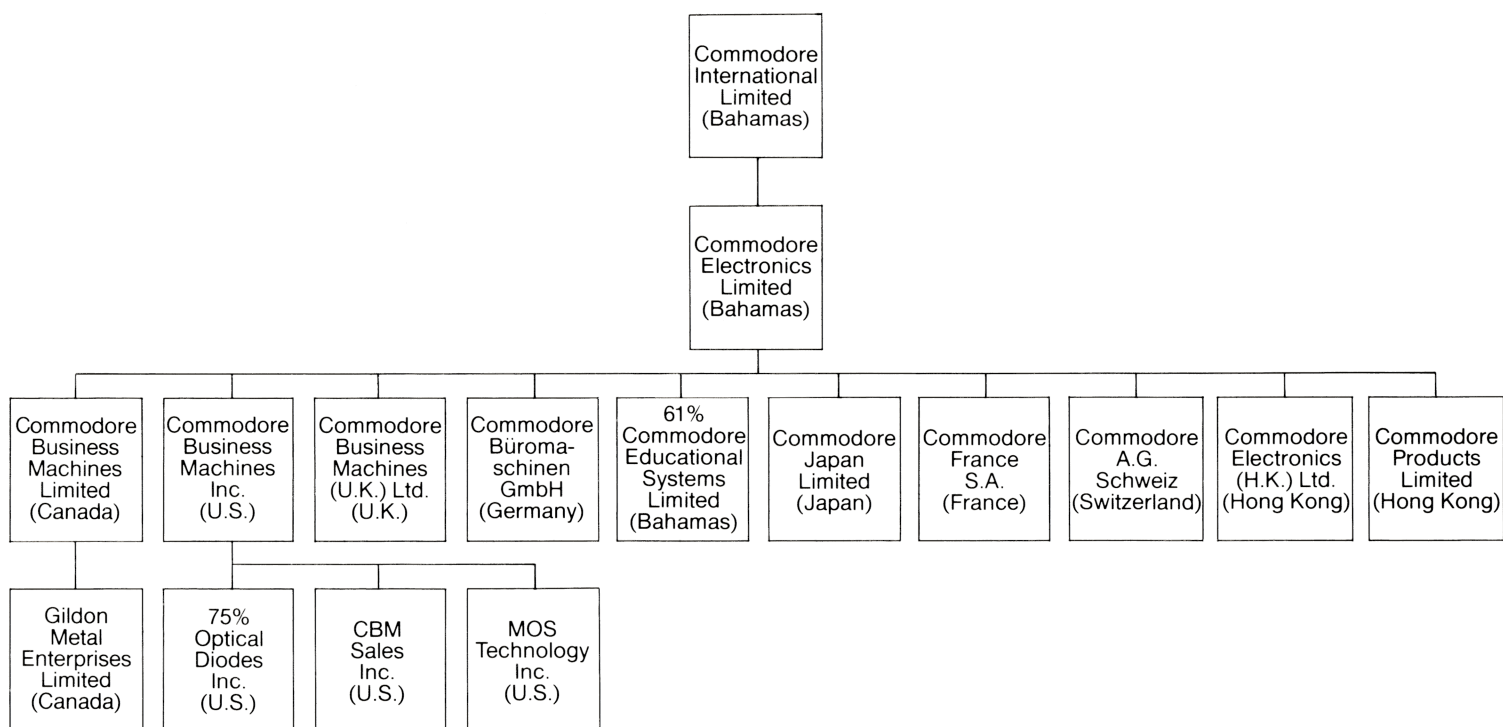
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## The Commodore Group of Companies as of June 30, 1976




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## The Commodore Group of Companies as of June 30, 1977



### Notes:

- 1) All subsidiaries are 100 percent owned, except where indicated.
- 2) Commodore Business Machines (Canada) Limited was a public company, incorporated in the province of Ontario, Canada—see Note 2.
- 3) The country in which each subsidiary is incorporated is indicated.
- 4) Nortex Products is a division of Commodore Business Machines Limited—see Note 3.

# Notes to Consolidated Financial Statements

## 1. Summary of Accounting Policies

**Principles of Consolidation** The consolidated financial statements include the accounts of Commodore International Limited and all subsidiaries. All such subsidiaries were wholly owned as of June 30, 1977, except for Optical Diodes, Inc. (75% owned), Commodore Educational Systems Limited (61%). All significant intercompany transactions have been eliminated.

The consolidated financial statements are expressed in United States currency. For foreign operations, monetary assets and liabilities have been translated at year-end rates of exchange and all other assets and liabilities have been translated at historical rates. Income, costs and expenses were translated at average rates prevailing during the year. Gains or losses resulting from translations are included in the consolidated statements of operations. Such gains and losses were not material.

**Inventories** Finished goods and work-in-process inventories include materials, labor and manufacturing overhead. Inventories are stated at the lower of cost (first-in, first-out) or market, except that inventories of one subsidiary are stated at the lower of cost (last-in, first-out) or market. The difference between these two methods for this subsidiary is not material.

### Property and Equipment

Major classes of property and equipment			Estimated Useful Lives
Description	1977	June 30 1976	
Land	\$ 552,000	\$ —	
Machinery and equipment	3,967,000	1,456,000	3-10 years
Buildings and improvements	1,360,000	790,000	25 years
Furniture and fixtures	342,000	378,000	5-10 years
Tooling	1,227,000	1,138,000	Expected sales (not to exceed two years)
Leasehold improvements	421,000	215,000	Life of lease
	<u>\$7,869,000</u>	<u>\$3,977,000</u>	

Depreciation has been provided using primarily the straight-line method over the estimated useful lives of the assets for both financial reporting and income tax purposes.

Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures for major betterments or renewals are capitalized.

The net gain or loss on items of equipment retired or otherwise disposed of is credited or charged to income and the asset cost and related accumulated depreciation or amortization are removed from the accounts.

**Research and Development Costs and Product Development Costs** The company expenses all costs of research and development and product development in the year incurred.

**Patents, Trademarks, and Other Manufacturing Rights** The company expenses all costs of obtaining patents, trademarks and other manufacturing rights in the year incurred.

**Goodwill** Goodwill, which arose in connection with the acquisition of Optical Diodes, Inc. on March 4, 1976, is being amortized on a straight-line basis over a period of four years.

**Deferred Income Taxes** Certain transactions or amounts recorded as revenue or expenses in a particular year will enter into the determination of taxable income of different years (timing differences). The most significant of these timing differences relates to special inventory relief provisions in the United Kingdom whereby deductions are allowed for tax reporting purposes prior to recording in the financial statements. Deferred income taxes are provided on these timing differences.

**Investment Tax Credits** The company accounts for investment tax credits as a reduction of the provision for taxes on income in the year in which the related credit is utilized. Such credits have not been material. The available investment tax credit carryforward as of June 30, 1977, is not significant.

## 2. Restructuring During the Fiscal Year

At a general meeting held on August 17, 1976, the shareholders approved a plan of restructuring.

This internal restructuring resulted in each shareholder of Commodore Business Machines (Canada) Limited receiving one share of Commodore International Limited, a Bahamian company, in exchange for each share of Commodore Business Machines (Canada) Limited then held. Commodore International Limited became the parent company of the Commodore group of companies, and Commodore Business Machines (Canada) Limited surrendered its charter under articles of dissolution filed under the Business Corporations Act of Ontario.

The restructuring did not involve transactions which affect the cost basis of assets or the amount of liabilities shown in the accompanying consolidated financial statements. However, as the shares of Commodore International Limited held by each shareholder have a par value of \$1 U.S. each, the

amounts previously shown in the accompanying statements at June 30, 1976 and 1975, as shareholders' equity were as follows:

Shareholders' Equity		
	1976	1975
Capital Stock	\$2,058,000	\$2,016,000
Contributed Surplus	791,000	881,000
Retained Earnings	3,497,000	586,000
	<u>\$6,346,000</u>	<u>\$3,483,000</u>

### 3. Acquisitions

In November 1976, the company acquired an 86% interest in MOS Technology, Inc. (MOS Tech) for 64,462 shares of the company's common stock and notes payable of \$143,000 (total purchase price \$433,000). MOS Tech is a Delaware Corporation, that manufactures and sells integrated circuits based upon metal-oxide-semiconductor (MOS) technology. In 1977, MOS Tech purchased the balance of the capital stock for \$66,000. The company has applied the purchase method of accounting to this transaction and has included the operations of MOS Tech in the accompanying consolidated financial statements for the period since acquisition.

The underlying fair value of MOS Tech's assets (including the tax benefits discussed below) was greater than the cost to the company at the date of acquisition. Such excess has been allocated proportionately to non-current assets in accordance with the purchase method of accounting.

MOS Tech had experienced losses in prior periods and has losses for tax purposes which are of future benefit to the company. This future benefit of \$794,000 has been recognized as an asset of MOS Tech at the date of acquisition.

In February, 1977, the company acquired 100% interest in Nortex Products (Nortex) and Gildon Metal Enterprises Limited (Gildon), respectively a division and a subsidiary of Superpack Corporation Limited, a Canadian Corporation for \$1—see Note 13. Nortex and Gildon manufacture and sell steel consumer products. The company has applied the purchase method of accounting to this transaction and has included the operations of Nortex and Gildon in the accompanying consolidated financial statements for the period since acquisition.

Prior to acquiring Nortex and Gildon, the company had managed these enterprises on behalf of Superpack Corporation Limited.

The underlying fair values of the Nortex and Gildon assets were greater than their cost to the company at the date of acquisition. Such excess has been allocated proportionately to non-current assets in accordance with the purchase method of accounting.

On March 1, 1977, the company's Japanese subsidiary, Commodore Japan Limited (CJL) obtained effective control of a Japanese assembly company. The accompanying consolidated financial statements include the results of operations of this company subsequent to March 1, 1977, and its balance sheet as of June 30, 1977.

The consolidated results of operations on a pro forma basis as though the above mentioned companies had been acquired at the beginning of fiscal 1976 are as follows:

	1977	1976
Net Sales	\$52,208,000	\$69,677,000
Net Earnings	814,000	2,131,000
Earnings per common share:		
Income before extraordinary item	\$.60	\$.73
Extraordinary item	—	.92
Net income	\$.60	\$1.65

On March 4, 1976, the company acquired a 75% interest in Optical Diodes, Inc. (O.D.I.), a manufacturer of light emitting diodes which are utilized in the company's calculator and watch displays. The company has applied the purchase method of accounting to this transaction and has included the operations of O.D.I. in the accompanying consolidated financial statements for the period since acquisition.

As of March 4, 1976, the company acquired 75% of the outstanding capital stock for a nominal amount. The liabilities exceeded the assets of O.D.I. at the date of acquisition resulting in goodwill on consolidation of \$210,000. This goodwill will be amortized over a period of four years from the date of acquisition in recognition of the potential for technological change existant within the calculator and watch industry.

O.D.I. has experienced losses in prior periods and has losses for tax purposes which may be of future benefit to the company. Any tax benefits which arise from the utilization of tax losses created prior to March 4, 1976, will be applied to the reduction of acquired goodwill.

### 4. Income Taxes

The provision for income taxes of \$718,000 in 1977 and \$1,724,000 in 1976 represented effective income tax rates of 32% and 51%, respectively. The provision differs from the

amount computed by applying the U.S. Federal income tax rate of 48% to income before tax as follows:

(000 omitted)	1977		1976	
	Amount	Percent of Income	Amount	Percent of Income
Computed 'Expected Tax'	\$1,076	48%	\$1,630	48%
Foreign Income Taxes	30	1	—	—
Subsidiaries incorporated in a jurisdiction which does not levy income taxes	(733)	(33)	(813)	(24)
Losses of foreign subsidiaries not benefitted	351	16	896	26
State income taxes net of Federal income tax benefit	60	3	60	2
Other, net	(66)	(3)	(49)	(1)
	<u>\$ 718</u>	<u>32%</u>	<u>\$1,724</u>	<u>51%</u>

As of June 30, 1977, the company's U.S. subsidiaries had net operating loss carryforwards of approximately \$5,000,000 including \$431,000 applicable to MOS Tech—see Note 3.

The company's UK subsidiary has a significant amount of tax benefit to carry forward against future profits (approximately \$3,330,000 at June 30, 1977) as a result of special inventory relief provisions introduced by the UK government to allow UK companies relief from paying taxes on inventory profits created by inflation—see Note 1. Deferred income taxes of \$331,000 in 1977 and \$572,000 in 1976 have been provided on the inventory relief benefit.

## 5. Notes Payable

Notes Payable, June 30,	Notes Payable, June 30,	
	1977	1976
Notes Payable to Banks	\$2,987,000	\$2,437,000
12% Note Payable, unsecured, due on demand	—	50,000
Current portion of long-term debt—see Note 7	<u>272,000</u>	<u>46,000</u>
	<u>\$3,259,000</u>	<u>\$2,533,000</u>

At June 30, 1977, \$2,527,000 of the notes are payable to banks and are unsecured; \$460,000 is secured by a debenture issued by one of the company's subsidiaries. The notes involve a number of banks as of June 30, 1977, with balances ranging from \$16,000 to \$1,161,000. The notes are generally due on demand and bear interest at rates ranging from 4¾% to 11¾%.

During fiscal 1977, the highest balance owing to banks was \$2,987,000 (1976—\$2,544,000), the average balance owing to banks was \$1,807,000 (1976—\$1,994,000) and the weighted average interest rate was 9¾% (1976—9½%).

## 6. Advances From Finance Companies

The company has agreements with two finance companies whereby the company may pledge certain receivables and inventories and other assets, with interest ranging from 4¼%

to 6½% over the prime rate in effect, depending on the amount borrowed. During the fiscal year ending June 30, 1977, the highest balance owing was \$2,536,000 (1976—\$904,000), the average balance owing was \$1,368,000 (1976—\$740,000), with a weighted average interest rate during the year of 13¾% (1976—16%). As of June 30, 1977, trade receivables of approximately \$4,934,000 (1976—\$872,000), and other assets, primarily inventories, of approximately \$6,859,000 (1976—\$980,000), were pledged as security for advances from the two finance companies.

## 7. Long-Term Debt

Long-Term Debt Obligations, June 30,	Long-Term Debt Obligations, June 30,	
	1977	1976
10% Note Payable, secured by equipment and machinery of an equivalent value, due January 31, 1980	\$1,600,000	\$ —
16% Note Payable guaranteed by the Chairman of the Board together with a former Director, due July 18, 1978	750,000	—
15¼% Note Payable secured by equipment and machinery of an equivalent value, due August, 1981	250,000	—
15¼% Note Payable secured by equipment and machinery of an equivalent value, due January, 1983	335,000	—
Mortgage Notes Payable	721,000	593,000
Contracts Payable	393,000	198,000
Other	<u>32,000</u>	<u>—</u>
	\$4,081,000	\$791,000
Less—Current portion—see Note 5	<u>272,000</u>	<u>46,000</u>
	<u>\$3,809,000</u>	<u>\$745,000</u>

**Mortgage Notes Payable** The company has two mortgages, which are secured by land and buildings, of \$1,330,000, at cost. At June 30, 1977, \$584,000 remains payable on one mortgage over a period of 22 years with interest at 8½%; \$137,000 remains payable on the other mortgage over a period of two years with interest at 10%.

**Contracts Payable** The company acquired certain equipment under installment contracts totaling approximately \$393,000, payable monthly over periods of from 3 to 7 years, with interest averaging 9%.

Approximately \$2,685,000 of the long-term debt at June 30, 1977 was assumed with the acquisition of MOS Tech, Nortex and Gildon—see Note 3.

## 8. Stock Options and Share Purchase Warrants

**Employee Stock Option Plan** As of June 30, 1977, the company has reserved 150,000 shares of common stock for exercise under the company's Employee Stock Option Plan. The company's plan, instituted in 1974, was designed to qualify under Section 422 of the U.S. Internal Revenue Code, as amended, under the terms of which the company and its subsidiaries may grant options to certain key employees to purchase up to 150,000 shares of the company's common stock. The plan is administered by the Board of Directors of the company. The option price may not be less than 100% of the fair market value of the shares at the date of grant. Options granted are exercisable in cumulative annual increments of 33% after the first nine months after the date of grant and expire five years from date of grant. Cancelled options become available for future grant.

The following table summarizes options outstanding at June 30, 1977, and the number of options exercised under the plan during the year ended June 30, 1977.

Options Outstanding June 30, 1977			
	Number of Shares	Option Price Per Share	Total
Options outstanding at June 30, 1977 were granted during			
1974	1,000	\$6.69	\$ 6,690
1975	7,333	\$2.25 to \$4.33	24,799
1976	38,000	\$3.25	123,500
1977	2,000	\$4.50	9,000
Total	48,333		\$163,989
Options exercised during 1977	6,667	\$2.25	\$ 15,000

There were 16,331 shares exercisable under the company's terms of the plan at June 30, 1977.

The proceeds from the exercise of stock options are credited to the common stock and contributed surplus accounts. No charges or credits are made to income in connection with stock option transactions.

**Share Purchase Warrants** At June 30, 1975, the company had reserved 94,500 shares of common stock for exercise of the outstanding Series "C" Share Purchase Warrants issued in prior years. The Share Purchase Warrants entitled the holders thereof to purchase an equal number of fully-paid, non-assessable shares of common stock at a price of \$5.50 on or before April 1, 1976.

In March, 1976, the company repurchased 88,550 of the Series "C" warrants at the cost of CDN \$1.00 per warrant. The cost of these repurchased warrants was charged to Contributed Surplus. The remainder expired on April 1, 1976.

## 9. Commitments and Contingent Liabilities

At June 30, 1977, some of the premises utilized by the company and its subsidiaries were occupied under long-term leases which expire at various dates to 1991. Annual rentals were \$488,000 in 1977, and \$328,000 in 1976. Aggregate minimum rental commitments remaining under these lease contracts after June 30, 1977, are as follows:

Fiscal Year Ending June 30,	Lease Commitments		
	Buildings	Amount Equipment	Total
1978	\$687,000	\$89,000	\$776,000
1979	579,000	83,000	662,000
1980	537,000	82,000	619,000
1981	344,000	82,000	426,000
1982	249,000	71,000	320,000

As of June 30, 1977, the company has purchase commitments of approximately \$1,671,000 (1976– \$3,860,000) which are cancellable under certain conditions, for future delivery of parts.

The company is contingently liable at June 30, 1977, for trade receivables of approximately \$174,000 (1976– \$1,140,000) which have been discounted at banks.

## 10. Earnings Per Share

Earnings per share have been computed using the weighted average number of common shares and common share equivalents outstanding during each period as follows:

	Common Shares and Equivalents	
	1977	1976
Weighted Average Common Shares		
Outstanding During the Years	1,331,649	1,272,701
Effect of Assumed Exercise of Dilutive Stock Options	21,530	15,430
Total Common Shares and Common Share Equivalents	1,353,179	1,288,131

## 11. Litigation

A number of legal actions have been brought against the company and/or its subsidiaries, primarily by certain suppliers. The actions brought by the suppliers generally allege breach of contract relating to component parts for assembly of calculators which the company has found to be defective or not suitable, and have either returned them to the supplier or withheld payment, or both.

Based upon the opinions of counsel, management believes that the ultimate settlement of all currently pending legal actions will not have a material effect upon the company's financial position or results of operations.

## 12. Foreign Operations

The sales, assets and current liabilities of the company's foreign operations (outside North America)		
(000 omitted)	1977	1976
Sales	\$26,212	\$43,100
Assets		
Current	12,866	13,339
Other	1,600	907
Current Liabilities	10,597	10,179

## 13. Operations—Related Parties

Sales include approximately \$680,000 in 1977 (1976—\$1,000,000) to companies which are owned or effectively controlled by the Chairman of the company's Board of Directors. Included in accounts receivable as of June 30, 1977 and 1976, were approximately \$138,000 and \$154,000 respectively, representing amounts owing from these companies.

During the year, the company acquired Nortex Products and Gildon Metal Enterprises from Superpack Corporation Limited—see Note 3. The Chairman of the company's Board of Directors is also the Chairman of the Board of Superpack Corporation Limited.

## 14. Subsequent Event

The company is currently negotiating to acquire ownership of Frontier Manufacturing, Inc. (Frontier), a California corporation, which manufactures integrated circuits and digital watch modules.

In this connection, the company has made the following commitments:

- a. The company has opened a letter of credit for \$200,000 to secure Security Pacific National Bank for any advances made in excess of 100% of Frontier's eligible accounts receivable. In return for this additional financing, the company has been given a security interest in Frontier's accounts receivable, inventories and fixed assets. The company ranks behind Security Pacific National Bank with regard to the accounts receivable and the inventories.
- b. The company has signed an agreement to acquire most of the shares of Frontier and to settle with the unsecured creditors of Frontier for a total amount of \$775,000.

At November 30, 1976, the date of the most recently audited financial statements, the net assets of Frontier were \$1,413,000, the net sales for the year ended November 30, 1976 were \$27,615,000 and the net profit was \$961,000. Since November 30, 1976, Frontier encountered severe financial difficulties and the auditors of Frontier qualified their audit report on Frontier's November 30, 1976 financial statements due to the significant uncertainties surrounding Frontier's ability to continue operations.

## Auditors' Report

To the Shareholders of  
Commodore International Limited:

We have examined the consolidated balance sheets of Commodore International Limited (a Bahamian Corporation, formerly Commodore Business Machines (Canada) Limited—see Note 2) and subsidiaries as of June 30, 1977 and 1976, and the related consolidated statements of operations, shareholders' equity and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Commodore International Limited and subsidiaries as of June 30, 1977 and 1976, and the results of their operations and changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co.

San Francisco, California  
October 6, 1977

## **Head Office**

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## **Executive Office**

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Palo Alto, California 94304

## **Other Offices**

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MOS Technology

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Commodore Educational Systems, Limited

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Nassau, Bahamas

Commodore Electronics (Hong Kong) Limited

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Hong Kong, Hong Kong

## **Board of Directors**

Irving Gould

Chairman of the Board  
Coral Harbour, N.P., Bahamas

Jack Tramiel

President  
Saratoga, California

Burton Winberg

Toronto, Ontario

Gerald Shefsky

Toronto, Ontario

Christopher T. G. Fish

Woodside, California

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Irving Gould

Chairman of the Board

Jack Tramiel

President

Thomas A. Self

Vice-President

David S. Harris

Vice-President

Christopher T. G. Fish

Vice-President,  
Finance and Secretary

## **Transfer Agents and Registrars**

Canada Permanent Trust Company

Toronto, Ontario

The Canadian Bank

of Commerce Trust Company

New York, New York

Trust Corporation

of Bahamas Limited

Nassau, Bahamas

## **Auditors**

Arthur Andersen & Co.

San Francisco, California

## **Counsel**

Seligman, Maynard & Co.

Nassau, Bahamas

Baker & McKenzie

New York, New York

Davies, Ward & Beck

Toronto, Ontario

## **Shares Listed**

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